
2010 Innovation In Business Conference



Reducing Work Comp Costs While Keeping
Montana's Workers Safe and Healthy

Setting The Stage

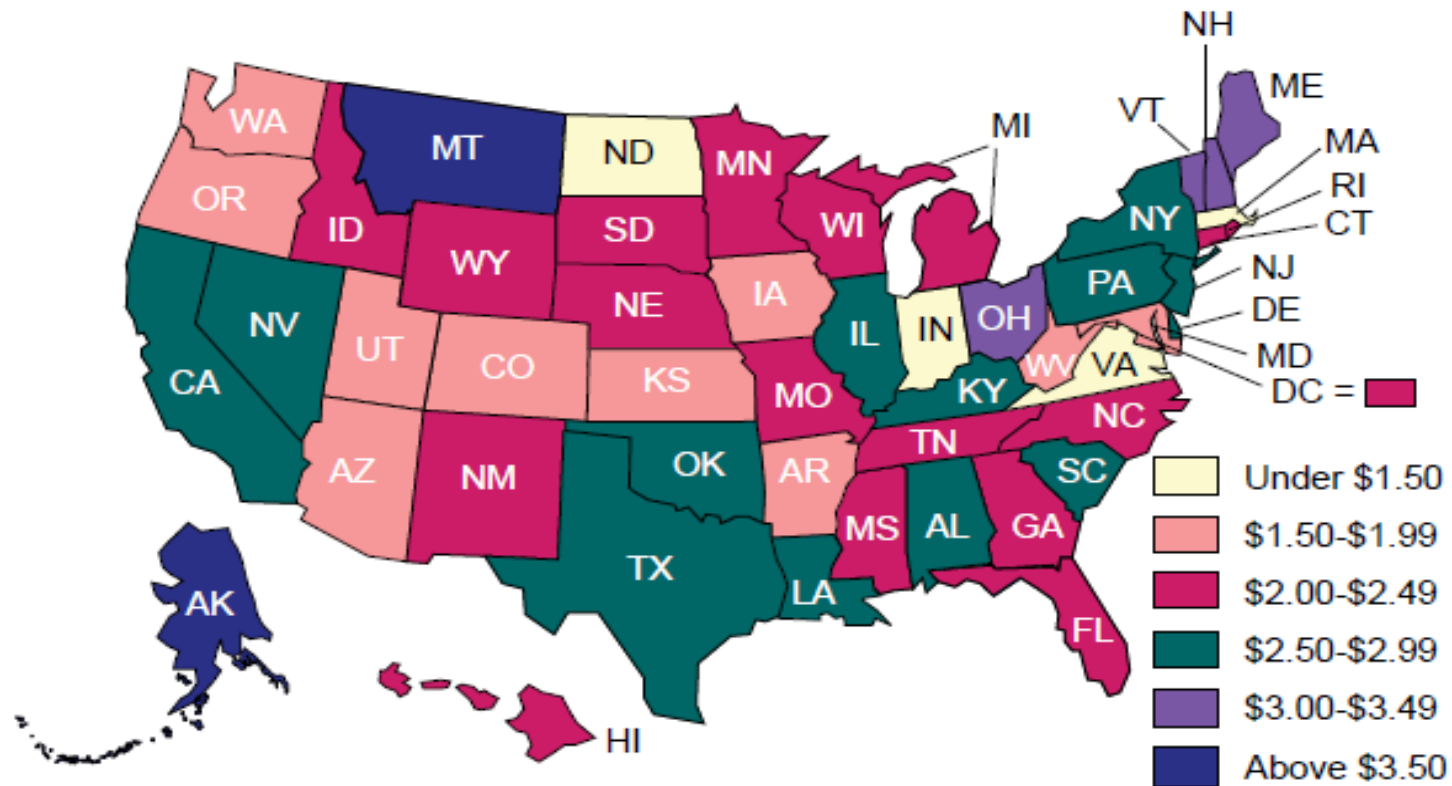
- Workers' Comp Premiums Are Too High
- Benefits For Injured Workers Are Too Low
- What Are We Doing About It?

2008 Oregon Workers' Compensation Premium Rate Ranking Summary

- Montana has ranked consistently high in this study over the last several years:
 - 2008 – 2nd
 - 2006 – 5th
 - 2004 – 8th
 - 2002 – 10th
 - 2000 – 12th

2008 Oregon Workers' Compensation Premium Rate Ranking Summary

Figure 1. 2008 Workers' compensation premium index rates



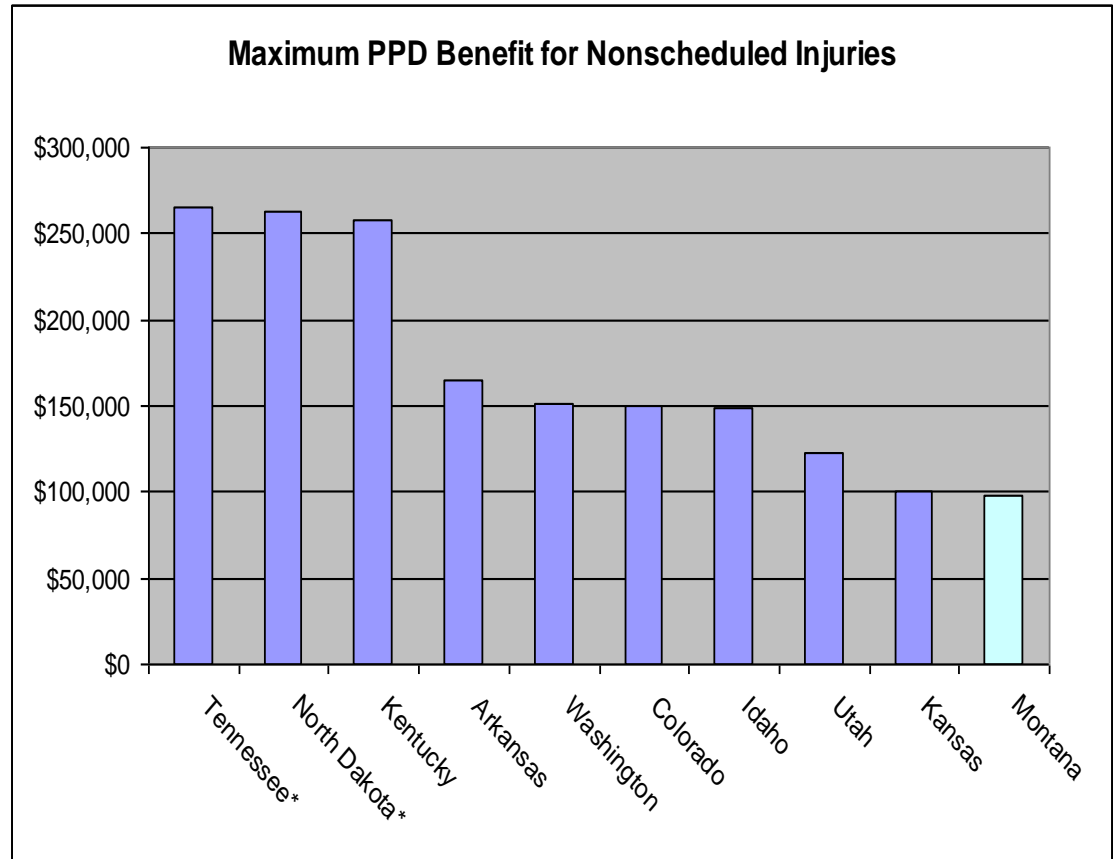
2008 Oregon Workers' Compensation Premium Rate Ranking Summary

Table 2. Workers' Compensation premium rate ranking

2008 Ranking	2006 Ranking	State	Index Rate	Percent of study median	Effective Date
1	1	Alaska	3.97	176%	January 1, 2008
2	5	Montana	3.50	155%	July 1, 2007
3	12	Ohio	3.32	147%	July 1, 2007
4	7	Vermont	3.14	139%	April 1, 2007
5	19	New Hampshire	3.06	136%	January 1, 2008
25	41	Georgia	2.29	102%	August 3, 2007
47	48	Arkansas	1.61	71%	January 1, 2008
48	49	Virginia	1.43	63%	April 1, 2007
49	47	Massachusetts	1.39	62%	September 1, 2007
50	50	Indiana	1.23	55%	January 1, 2007
51	51	North Dakota	1.08	48%	July 1, 2007

WC Study Group: Statutory Benefits

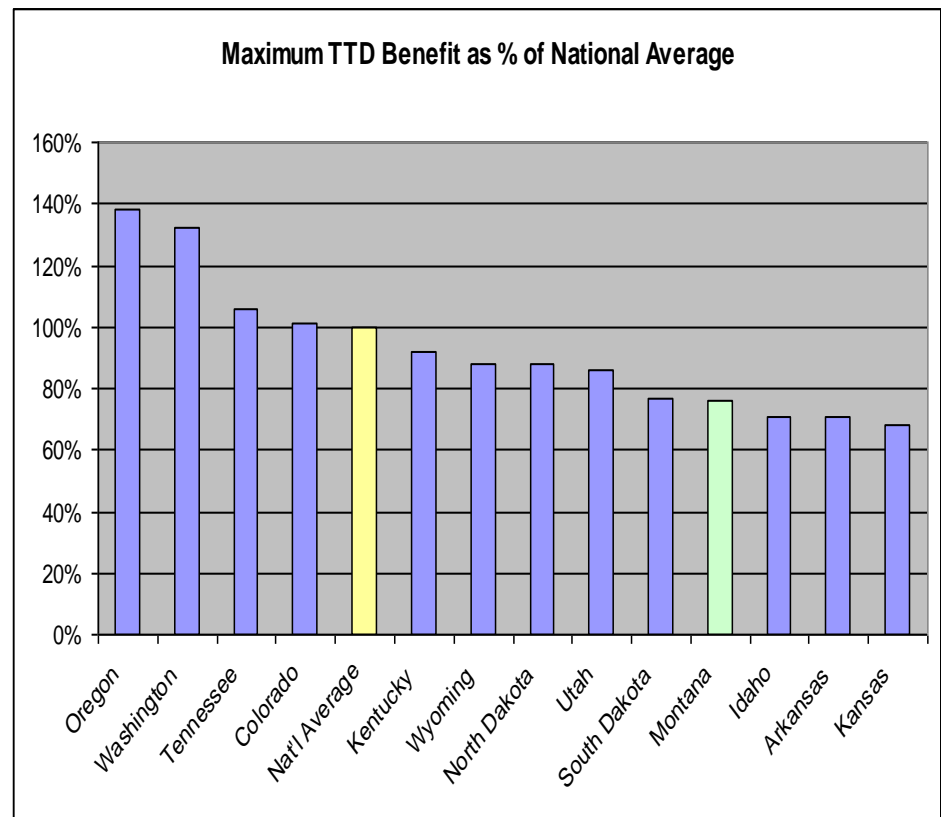
Maximum PPD Benefit for Nonscheduled Injuries as of 1/1/2006		
	Maximum Benefit (\$)	Study Rank
Tennessee*	\$265,200	1
North Dakota*	\$262,500	2
Kentucky	\$257,975	3
Arkansas	\$164,700	4
Washington	\$151,173	5
Colorado	\$150,000	6
Idaho	\$149,325	7
Utah	\$122,304	8
Kansas	\$100,000	9
Montana	\$97,500	10
South Dakota	No Max	
Wyoming	No Max	
Oregon	Varies	
Source: US DOL office of workers' Oregon - Varies; South Dakota & Washington - No maximum.		
*1/1/2005 data - 1/1/2006 data not available		



WC Study Group: Statutory Benefits

Maximum Weekly Benefit for TTD, 1/1/2006				
	Maximum Benefit in Dollars	Maximum as % of National Average	Study Rank	National Rank (of 51)
Oregon	\$948	138%	1	8
Washington	\$905	132%	2	9
Tennessee	\$729	106%	3	19
Colorado	\$697	101%	4	22
Nat'l Average	\$688	100%		
Kentucky	\$631	92%	5	27
Wyoming	\$606	88%	7	30
North Dakota	\$604	88%	8	31
Utah	\$589	86%	6	34
South Dakota	\$533	77%	9	42
Montana	\$520	76%	10	43
Idaho	\$489	71%	11	44
Arkansas	\$488	71%	12	45
Kansas	\$467	68%	13	46

Notes: Washington "Maximum as % of State's AWW" is monthly.



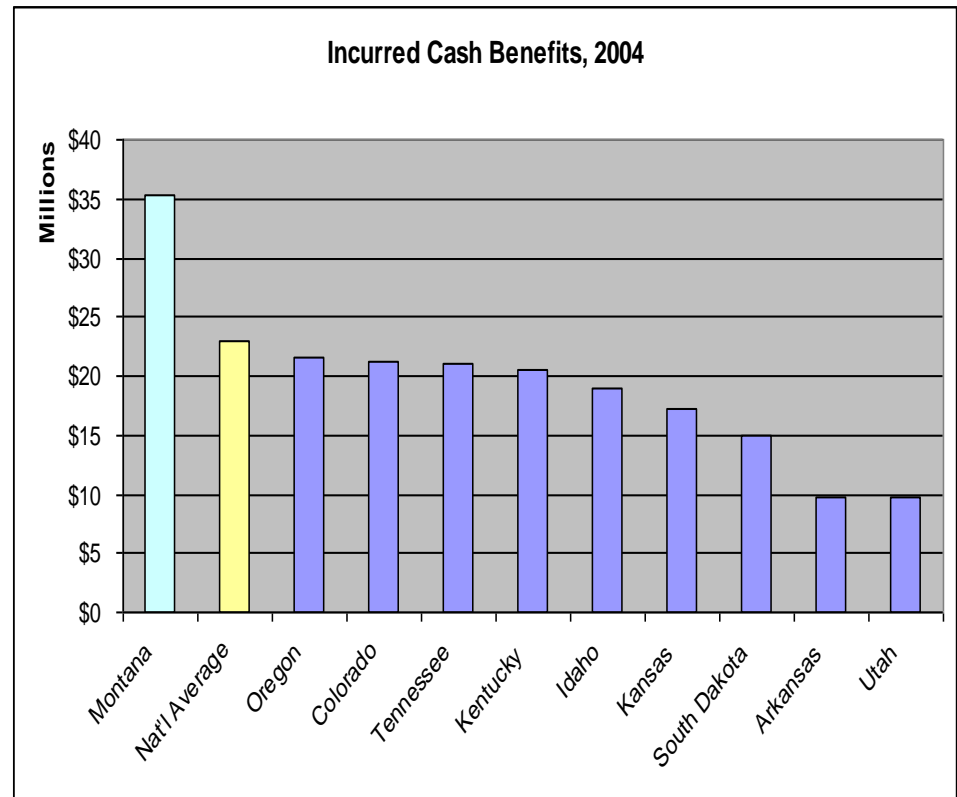
WC Study Group: Incurred Benefits

Incurred Cash Benefits per 100,000 Workers, 2004				
	Total Incurred Benefits Per 100,000	% of Nat'l Average	Study Rank	National Rank (of 47)
Montana	\$35,388,691	153.7%	1	3
Nat'l Average	\$23,020,797			
Oregon	\$21,614,036	93.9%	2	25
Colorado	\$21,259,474	92.3%	3	27
Tennessee	\$20,971,692	91.1%	4	28
Kentucky	\$20,498,785	89.0%	5	29
Idaho	\$18,978,912	82.4%	6	33
Kansas	\$17,185,913	74.7%	7	37
South Dakota	\$14,984,151	65.1%	8	39
Arkansas	\$9,776,063	42.5%	9	45
Utah	\$9,746,010	42.3%	10	46
North Dakota	**	**	**	**
Washington	**	**	**	**
Wyoming	**	**	**	**

Source: Workers' Compensation Policy Review, July/August 2009, Table 5

Note: "Incurred" payments equals payments already made plus reserves for future payments.

*Data Unavailable



WC Study Group: Primary cost drivers in our work comp system:

1) Frequency of Claims – Injury Rate

- ❑ Injury prevention – Safety

2) Skyrocketing Medical Costs

- ❑ Medical cost containment
 - Fee schedules
 - Utilization and treatment guidelines

3) Duration – Length of time off work from injury

- ❑ Stay-at-Work/Return-to-Work (SAW/RTW)

4) High Percentage of Open Claims

- ❑ Claims closure and settlement mechanisms

Cost Driver: Injury Rate

- Montana's injury rate is ~ 50% higher than the national average*
 - Montana: 6.3 injuries/100 FTEs (0.6 from 2006)
 - Nation: 4.2 injuries/100 FTEs (0.2 from 2006)

* Total recordable cases, 2007 BLS data.

Cost Driver: Injury Rate

Incidence rates of nonfatal occupational injuries and illnesses by industry and case types, 2006, Bureau of Labor Statistics

Industry	Cases with days away		% Higher in
	Montana	US	Montana
Private industry	2.0	1.3	53.8
Natural resources and mining	2.2	1.7	21.4
Mining	3.1	1.4	57.1
Construction	3.1	2.2	40.9
Manufacturing	3.2	1.4	128.6
Trade, transportation and utilities	2.3	1.6	43.8
Information	1.0	0.7	42.9
Financial activities	0.5	0.5	0
Finance and insurance	0.5	0.2	150.0
Professional and business services	1.9	0.7	171.4
Health care and social assistance	2.2	1.5	46.7
Leisure and hospitality	1.4	1.1	27.3

Cost Driver: Injury Rate

Incidence rates of nonfatal occupational injuries and illnesses by Industry and case types, 2007, Bureau of Labor Statistics

Industry	Cases with days away		% Higher in
	Montana	US	Montana
Private industry	1.8	1.2	50
Natural resources and mining	2.1	1.6	31.3
Mining	1.8	1.4	28.6
Construction	2.9	1.9	52.6
Manufacturing	2.8	1.3	115.4
Trade, transportation and utilities	2.0	1.6	25
Information	1.7	0.7	142.9
Financial activities	0.4	0.5	-20
Finance and insurance	0.3	0.3	0
Professional and business services	0.9	0.6	50
Health care and social assistance	2.2	1.4	57.1
Leisure and hospitality	1.6	1.1	45.5

Cost Driver: Injury Rate

- Our loss history results from the common:
 - Slips/trips/falls
 - Soft tissue injury and strains from lifting, pushing, pulling
- The traditional belief that we have high-hazard industries so we must simply accept risk and injury must be eliminated

Cost Driver: Injury Rate

- Compared to national averages, which of the following Montana industries performs the worst in terms of work injury incidence rates (Mining, Logging, Healthcare or Retail)?
- Healthcare*
 - Nurses and orderlies actually have the highest incidence of injuries requiring days off from work. They suffer more sprains, strains, and tears than other professions. Most commonly this is the result of moving patients

* 2007 Data

The Cost of Injury: Employee & Family

- ❑ Reduced income
- ❑ Depletion of savings
- ❑ Loss of assets (auto, home)
- ❑ Lost home production due to family members cutting back to help
- ❑ Professional counseling
- ❑ Caregiver services
- ❑ Home modifications
- ❑ Loss of education opportunities for other family members

The Cost of Injury: Employee & Family

- DLI Study in December 2006 showed:
- Overall, an injured worker **loses 40.5%** of their lifetime wages with a more significant part of the wages lost after maximum healing

The Cost of Injury: Employer

Direct Costs

1. Workers' compensation
2. Medical & legal costs
3. Equipment damage
4. Emergency services

Indirect Costs

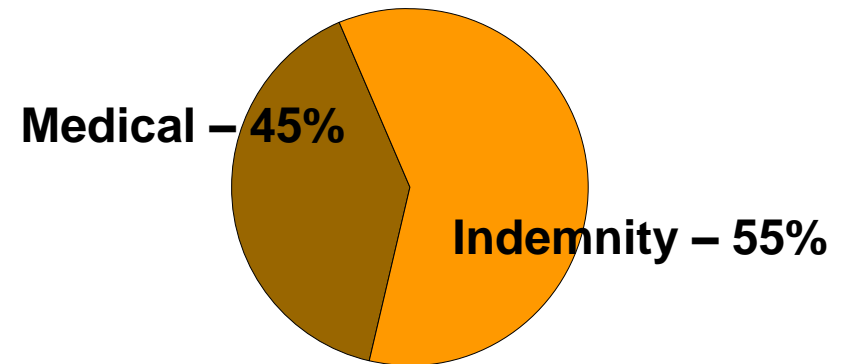
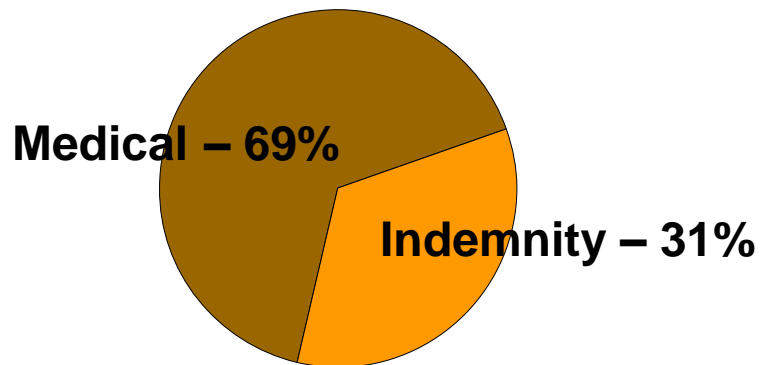
1. Lost time -- injured employee, fellow employees, supervisors
2. Loss of efficiency due to break-up of team
3. Training costs for new/replacement workers
4. Time damaged equipment is out of service
5. Loss of production for remainder of the day
6. Damage from accident: fire, water, chemical, explosives, etc.
7. Failure to fill orders/meet deadlines
8. Overhead costs while work was disrupted
9. *The unknown costs – human tragedy, morale, reputation!*

Cost Driver: Injury Rate

- Potential Cost Savings (NCCI):
 - Reduce Frequency Rate to National Average
 - 37.5% or **\$145 million**
- **\$145 million X 4 (avg. hidden costs) =
\$580,000,000**

Cost Driver: Skyrocketing Medical Costs

- Medical costs as a percentage of benefit dollars



*Based on NCCI State Advisory Forum Report, 5/20/2008

Cost Driver: Skyrocketing Medical Costs

■ Solutions:

- ❑ New Fee Schedules
- ❑ Medical Utilization & Treatment Guidelines

■ Positive Impact of Focus on Cost Drivers:

- ❑ 7/1/07: -1.3% Loss Cost Filing (Experience and Trends)
- ❑ 2/1/08: -2.9% Loss Cost Filing (New Medical Provider Fee Schedule)
- ❑ 7/1/08: -1.8% Loss Cost Filing (Experience and Trends)
- ❑ 7/1-09: -2.2% Loss Cost Filing (Experience and Trends)
- ❑ 7/1/10: -6.4% Loss Cost Filing (Experience and Trends)
- ❑ 2007-2010 Dollar Impact \$65.6 Million

Cost Driver: Skyrocketing Medical Costs

Estimated Impact of Utilization and Treatment Guidelines on Employers' Cost *

Range	Total affected dollars	Impact of utilization guidelines	Total Savings
Low	\$290 Million	29.7%	\$86.4 million
Middle	\$290 Million	42.8%	\$124.1 million
High	\$290 Million	54.9%	150.5 million

*Frank Neuhauser, University of California, Berkley

(Similar reform in CA netted an impact of approximately 45%, similar to the middle estimate for MT.)

Cost Driver: Duration

- Duration is the number of days off work following an injury
- Montana is significantly higher than the national average:
 - 2006 NCCI report 135 (MT) vs. 79 (national)
 - 70% higher than national average
 - 2007 NCCI report 136 (MT) vs. 85 (national)
 - 63% higher than national average
 - 2008 NCCI report 111 (MT) vs. 88 (national)
 - 26% higher than national average

Cost Driver: Duration

■ Solutions:

□ SAW/RTW

- Keep people employed after the injury
- Return injured workers to work as soon as medically appropriate

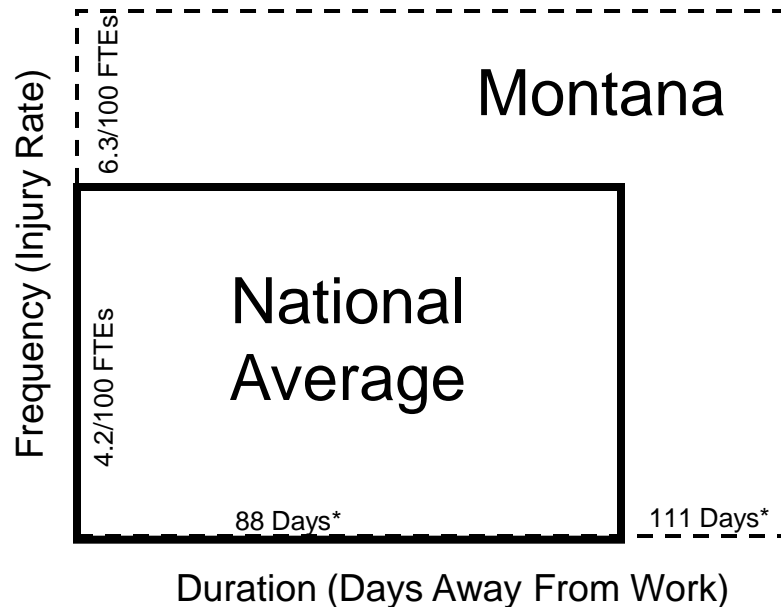
■ Potential Cost Savings (NCCI):

- Reduce Duration of Days to Return to Work to National Average
 - 3.3% or **\$12.5 million**

Cost Driver: Claims Closure

- Montana has fewer settlements than most jurisdictions: 10% (MT) indemnity claims vs. 38% (10 state median)
- Montana has lower percentage of settlements that close future medical costs (3% of indemnity claims)
- Montana has a statutory provision that closes medical benefits if they have not been used for 60 months
- Majority of jurisdictions have statutory provisions that close the claim if indemnity benefits have not been used in a specific time frame
- Montana has more “open” cases – effects reserves of insurance companies

Why High Work Comp Premiums?



*Using 2008 NCCI State Advisory Forum Report

- Injure more people
- Off work longer
- Higher medical costs
- Must collect higher premium per \$100 payroll to cover significantly more people
- Lower wage base that premium is applied to

Cost Driver: Injury Rate

■ Solution:

- A statewide safety initiative implemented through WorkSafeMT to:

Transform societal attitudes

*Work-related death, injury, illness and disease are
not an inevitable and acceptable cost of doing
business*



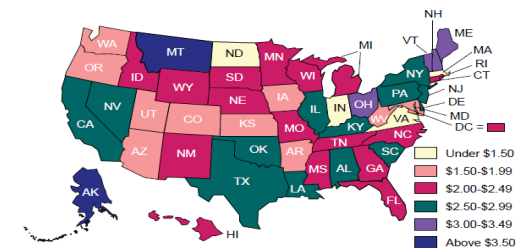
Safer Tomorrow

■ Mission

- ❑ Reduce the incidence of workplace injury, illness and disease
- ❑ Thereby providing workers with a clean, safe and healthy work environment
- ❑ Enhancing employer competitiveness through a health productive workforce
- ❑ And resulting in correspondingly low workers' compensation rates and associated indirect costs relative to our peer states

- Neighboring states:
 - In Montana, median number of claims is 18% above our neighboring states.
 - If your employees worked in a neighboring state, they'd be less likely to get hurt on the job.
 - If your company was located in another state in our region, you'd pay less in direct and indirect costs related to workplace injuries.

Figure 1. 2008 Workers' compensation premium index rates





WorkSafeMT Mission

- WorkSafeMT is a coordinated effort of employers, employees, providers, and other stakeholders to develop a universal expectation of workplace health and safety in Montana.
- Through proactive training, education, utilization of available resources, and shared accountability, WorkSafeMT seeks to eliminate occupational injury, illness, and death statewide.



WorkSafeMT Mission

- For injured workers, WorkSafeMT promotes a Stay-at-Work/Return-to-Work (SAW/RTW) system that supports and values the physical and mental health and financial well-being of the employee and the needs of the employer.



- **WorkSafeMT envisions a future without injury, illness, and death in Montana's workplaces.**
- Potential and current employees will utilize safe work practices and prevent both their own injuries and those of co-workers.
- Employers and employees will make health and safety a primary focus.



WorkSafeMT Vision

- Employers will be informed about and equipped with the tools and resources to prevent workplace injury, and will be motivated to improve the safety records in their businesses.
- Those workers who do sustain workplace injuries will experience a comprehensive effort aimed at transitioning injured workers back to work as efficiently and safely as possible.



- Employers and providers will interact early with injured workers using internationally recognized best practices.
- Actions by employers, employees, and providers will prevent the negative physical, psychological, vocational, and financial consequences of workplace injury from becoming a liability for all stakeholders.



WorkSafeMT Vision

- Montana's workplaces will be among the safest in the nation.
- Montana will rank among the most competitive states for attracting and retaining businesses and employees.



- Provide Safety Program Resources
 - For employers
 - How to implement the Montana Safety Culture Act
 - How to develop & implement health & safety management systems
 - How to develop & implement people-based safety programs
 - How to evaluate the effectiveness of your programs
 - For employees
 - Increase opportunities for safety training
 - Web tools for all: www.worksafemt.com
 - Safety training
 - Program and policy templates: Safety Writer
 - Incident investigation and lessons learned
 - Video testimonials – arguments for safety
 - etc.

First Step: Montana Safety Culture Act

- ❑ A safety culture is a group of people who value their own and each others' safety and implement standardized practices to achieve that safety
- ❑ Safety culture is what the company does when no one is watching
- ❑ The safety culture of an organization is the product of individual and group values, attitudes, perceptions, competencies, and patterns of behavior that determine the commitment to, and the style and proficiency of, an organization's health and safety management system

Montana Safety Culture Act

- Enacted by the 1993 Montana Legislature to:
 - ❑ Encourage employers and employees to come together to create and implement a workplace safety philosophy
 - ❑ Raise workplace safety to a preeminent position in the minds of all Montana's workers and employers
 - ❑ Establish a responsibility for the development and implementation of safety programs
 - ❑ Create a safety culture that fosters a safe work environment for all future generations of Montanans

Montana Safety Culture Act

- Montana Safety Culture Act Components:
 - ❑ Six requirements that all employers must meet
 - ❑ Three additional requirements that employers with more than five employees must meet

Montana Safety Culture Act: All Employers

1. Provide each new employee with a general safety orientation
2. Provide job or task-specific safety training
3. Offer continuing regular refresher safety training
4. Provide a system for the employer and their employees to develop an awareness and appreciation of safety
5. Provide periodic self inspection
6. Document performance of activities

Montana Safety Culture Act: 6+ Employees

- Must meet all of the requirements listed above, plus:
 1. Policies and procedures that assign specific safety responsibilities and safety performance accountability
 2. Procedures for reporting, investigating, and taking corrective action on all work-related incidents, accidents, injuries, illnesses and known unsafe work conditions or practices
 3. Shall have a safety committee in place which meets certain requirements

Montana Safety Culture Act: 6+ Employees

- Safety Committee Requirements:
 1. Be composed of employee and employer representatives and hold regularly scheduled meetings, at least once every four months
 2. Include safety committee activities that assist the employer in fact finding/incident investigation

Montana Safety Culture Act

- An effective safety program is your key to:
 - ❑ Lowering costs
 - ❑ Improving productivity
 - ❑ Improving employees' morale

SIMMS Video

- Simms Video



- Provide SAW/RTW Program Resources
 - For employers
 - How to develop & implement SAW/RTW programs
 - How to evaluate the effectiveness of your programs
 - For employees
 - Increase SAW/RTW advocates/resources
 - For providers
 - Provide education on 'why' and 'how' to play a role in preventing disability
 - Web tools for all
 - Program and policy templates
 - Simplify and standardize information exchange

SAW/RTW Programs

- Good for your business, your employees, your bottom line
- Successful SAW/RTW strategies
 - Believe in the benefits of SAW/RTW
 - Develop a written procedure and make it part of new employee orientation
 - Designate a SAW/RTW coordinator

SAW/RTW Programs

- After an injury:
 - ❑ Submit your paperwork
 - ❑ Contact your injured employee and stay in contact
 - ❑ Contact the attending provider – ask about physical abilities, restrictions and limitations
 - ❑ Identify job duties the employee could perform and create a job description
 - ❑ Send the job description to the provider and employee
 - ❑ If the provider releases your employee to perform the work in the job description, offer your employee the job

The Next Step

- What can you do?
 - Engage in the LMAC meetings
 - Erd.dli.mt.gov
 - Focus locally now
 - Work within your organization
 - Stop passing the buck—step in
 - Create a safety policy statement
 - Put safety in your performance appraisals
 - Ensure programs (Safety and SAW/RTW) are in place
 - Monitor training
 - Care enough to have a Stop Work Program
 - Seek assistance

The Next Step

■ Where to get help:

- ❑ WorkSafeMT: www.worksafemt.com
- ❑ Your Workers' Compensation Insurer (Montana State Fund, Liberty Northwest, etc.)
- ❑ Safety Bureau:
<http://www.erd.dli.mt.gov/safetyhealth/sbhome.asp>
- ❑ Area Safety and Health Associations
http://www.meetings.montanafety.com/index.php?option=com_content&view=frontpage&Itemid=1



- Thank you for participating today
- For additional information contact
 - George Kochman – general questions
444-0982 george@worksafemt.com
 - Kevin Connolly– safety questions
444-9050 kevin@worksafemt.com
 - Jason Swant – SAW/RTW questions
444-1748 jason@worksafemt.com

Closing thought

“If you listen to the whispers, you won’t have to listen to the screams.”

➤ Cherokee Proverb



■ Questions?